



STATE OF TENNESSEE

*RATING
PRESENTATION*

August 2008



Presenters

- **PHIL BREDESEN**, Governor
- **RILEY DARNELL**, Secretary of State
- **JOHN MORGAN**, Comptroller of the Treasury
- **DALE SIMS**, State Treasurer
- **DAVE GOETZ**, Commissioner
Department of Finance & Administration
- **MARY-MARGARET COLLIER**, Director
Division of Bond Finance



Overview

“There’s an old sailor’s adage: You can’t control the wind, but you can adjust your sails. We can’t control the national economy, but we can make the adjustments that let us ride it out.”

— ***Governor Phil Bredesen***
State of the State Address
January 28, 2008



Overview (cont'd)

Satisfying Key Metrics

FINANCIAL

MANAGEMENT

DEBT

ECONOMIC



Overview (cont'd)

Current Conditions

- National economy is in a downturn
- Revenue collections below estimates
- Budget and spending adjustments made to respond to current economic conditions



Overview (cont'd)

Prepared to “Weather the Storm”

- Fiscal Discipline
- Constitutional Directives
- Statutory Requirements
- Executive-Legislative Cooperation



Overview (cont'd)

Fiscal Discipline

- Demonstrated willingness to make tough decisions to either identify cuts or find new revenues
 - TennCare reform
 - Workforce reductions
 - BEP restructuring
- Balance recurring revenues to recurring expenditures
- Monitor financial performance throughout the year and make adjustments as necessary



Overview (cont'd)

Constitutional Directives

- Balanced budget
- Maintenance and support of a system of free public schools
- Debt obligations for current operations must be repaid within the fiscal year



Overview (cont'd)

Statutory Requirements

- Independent forecasting and consensus revenue estimation process
- Appropriation of first-year debt service for bonds
- Appropriation of additional costs of incarceration when prison sentences are increased or new offenses are created
- Appropriation of funds for pension enhancements
- Executive authority to transfer monies from various funds, reserve accounts and programs for FY08 and FY09



Overview (cont'd)

Executive-Legislative Cooperation

- Weekly leadership breakfast
- Weekly meetings with Constitutional Officers and Speakers of both Houses
- Mid-year federal grant allotment authority with reporting to Legislative finance committee chairmen
- Actuarial funding of pension system
- Transportation projects funded on a pay-as-you-go basis



Overview (cont'd)

Sustainable Strategies

- Close FY08 with reserves as needed
- Continue to monitor financial performance and make additional adjustments if needed
- Protect funding for K-12 education from budget cuts
- Target program investments in areas that generate a high return



Financial

Prior Achievements

- Stabilized state's finances (FY04)
- Reinstigated practice of matching recurring revenues with recurring expenditures (FY04)
- Restructured, stabilized TennCare (FY05)
- Ended fiscal year with surplus (FY04-07)
- Made historic investments in Rainy Day Fund (FY05-07)

Several years of tough decisions and fiscal discipline positioned Tennessee to weather the current downturn.



Financial (cont'd)

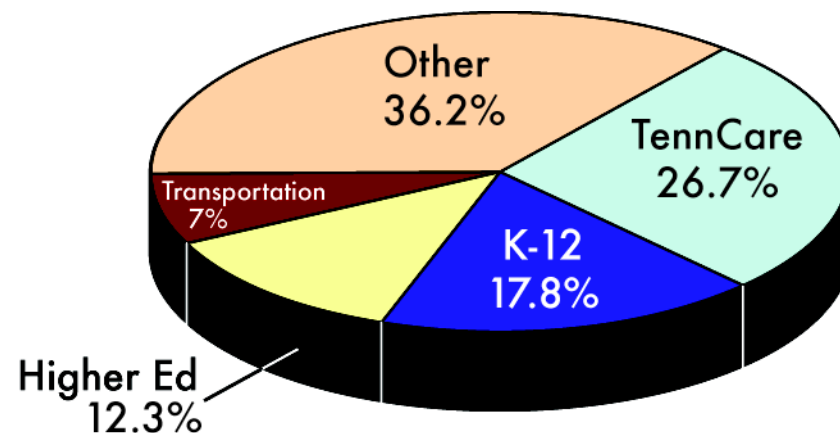
2007-2008 Budget Balancing

I. State Revenue Adjustment 2007-2008	(Millions)
1. Tax Undercollection	\$ (494.5)
2. Other Revenue Adjustments	50.7
Sub-Total Revenue Adjustments	<u>\$ (443.8)</u>
II. Supplemental Appropriations 2007-2008	<u>(23.0)</u>
Total Revenue Loss	<u>\$ (466.8)</u>
III. Available Funds for Closing 2007-2008	
1. Unappropriated Budget Surplus @ 6-30-07	\$ 280.5
2. Additional Agency Reversion @ 6-30-08	152.2
3. Debt Service Fund Excess - Transfer @ 6-30-08	33.9
4. Budget Document Surplus	0.3
Total Available Funds for Closing	<u>\$ 466.9</u>
IV. Total 2007-2008 Budget Balance - Undesignated Fund Balance	<u>\$ 0.1</u>

Financial (cont'd)

FY09: Budget At-A-Glance

TennCare	\$ 7.39B
K-12	4.93B
Higher Ed	3.42B
Transportation	1.94B
Other	10.04B



TOTAL \$27.72 BILLION

NOTE: Total includes federal funds. Excluding federal funds, TennCare represents 22.4% of state taxes.



Financial (cont'd)

FY09: Highlights

- Balance budget with no tax increase
- Protect Rainy Day Fund
- Fund inflationary growth in K-12 education
- Reduce workforce through voluntary buyouts (\$50M one-time funds to cut \$64M recurring)



Financial (cont'd)

FY09: Budget Balancing

I. Revenue estimate adjustments		Amount (millions)
Tax estimate reduction		\$ (468.1)
Technical Corrections Amendment		14.0
Other revenue adjustments		24.8
TOTAL		\$ (429.3)
II. Budget adjustments		
Improvement reductions		\$ 226.5
Base budget reductions		233.9
Additions by amendment		(30.7)
Budget document surplus		0.1
TOTAL		\$ 429.8

NOTE: Original FY09 budget document (January 2008) included additional \$85.8M base budget reduction



Financial (cont'd)

Five-Year Budget Trend

Fund (billions)	FY05	FY06	FY07	FY08	FY09	Total Growth	Avg. Annual Growth
General / education	\$22.342	\$22.982	\$23.010	\$24.520	\$24.267	8.6 %	2.1%
Transportation	1.620	1.859	1.746	1.747	1.940	19.8 %	4.6%
Debt service	.251	.285	.318	.329	.322	28.3%	6.4%
Capital outlay	.398	.390	.577	.454	.173	-56.5%	-18.8%
Facilities revolving	.138	.138	.192	.197	.168	21.7%	5.0%
Cities and counties (state-shared taxes)	.671	.733	.805	.844	.852	27.0%	6.2%
TOTAL	\$25.420	\$26.387	\$26.648	\$28.091	\$27.722	9.1%	2.2%

NOTE: FY08 estimates, FY09 projections

Financial (cont'd)

Five-Year Revenue Trend

Source (billions)	FY05	FY06	FY07	FY08	FY09	Total Growth	Avg. Annual Growth
Taxes	\$9.511	\$10.189	\$10.976	\$11.163	\$11.396	19.8%	4.6%
Federal Funds	9.694	9.944	9.388	9.595	9.568	-1.3%	-0.3%
Departmental Revenue	3.325	3.423	3.251	3.392	3.267	-1.7%	-0.4%
Other Misc. Revenue	.952	.971	1.040	1.135	1.040	9.2%	2.2%
Tuition	.802	.880	.933	1.010	1.072	33.7%	7.5%
Tobacco Master Settlement Agreement	.156	.107	.162	.161	.160	2.6%	0.6%
Bonds ¹	.494	.429	.587	.295	.285	-42.3%	-12.8%
Reserves & Transfers	.307	.238	.061	1.069	.536	74.6%	14.9%
Lottery ²	.179	.206	.250	.271	.398	122.3%	22.1%
TOTAL	\$25.420	\$26.387	\$26.648	\$28.091	\$27.722	9.1%	2.2%

1 Includes transportation

2 Lottery began operation in January 2005

NOTE: FY08 estimates, FY09 projections



Financial (cont'd)

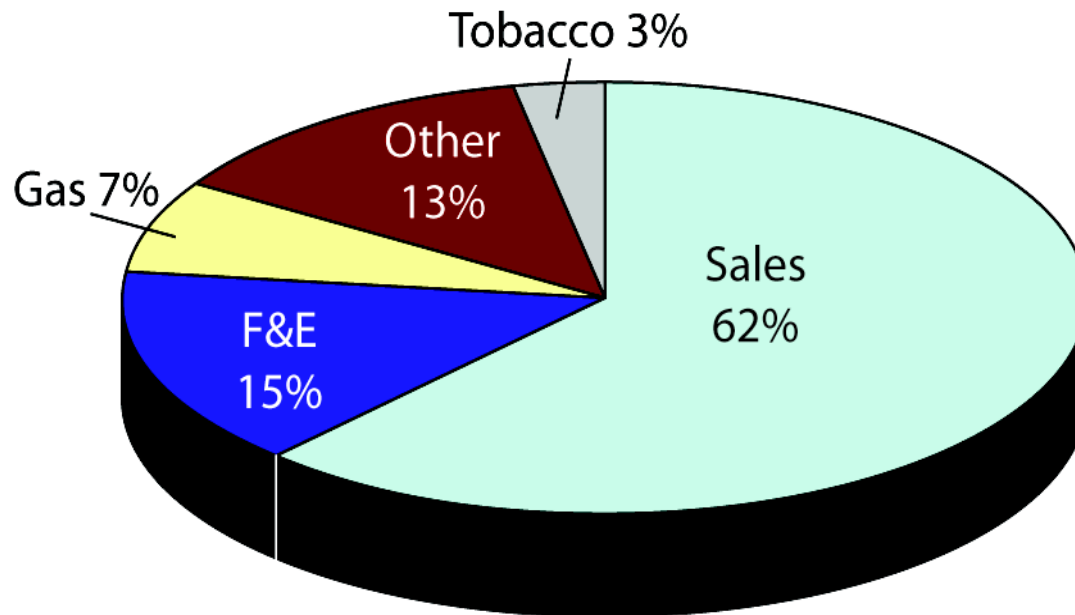
Five-Year Tax Collection Trend

Source (billions)	FY05	FY06	FY07	FY08	FY09	Total Growth	Avg. Annual Growth
Sales	\$6.072	\$6.515	\$6.825	\$6.866	\$7.019	15.6%	3.7%
Franchise & Excise	1.301	1.420	1.736	1.650	1.664	27.9%	6.3%
Gas	.832	.846	.847	.854	.864	3.8%	0.9%
Motor Vehicle Reg.	.252	.250	.255	.257	.263	4.4%	1.1%
Privilege	.251	.289	.317	.287	.307	22.3%	5.2%
Gross Receipts	.233	.242	.270	.298	.311	33.5%	7.5%
Other Tax Revenue	.570	.627	.726	.951	.968	69.8%	14.2%
TOTAL	\$9.511	\$10.189	\$10.976	\$11.163	\$11.396	19.8%	4.6%

NOTE: FY05-08 reflect final budgeted revenues
FY09 reflects July 1, 2008 projection

Financial (cont'd)

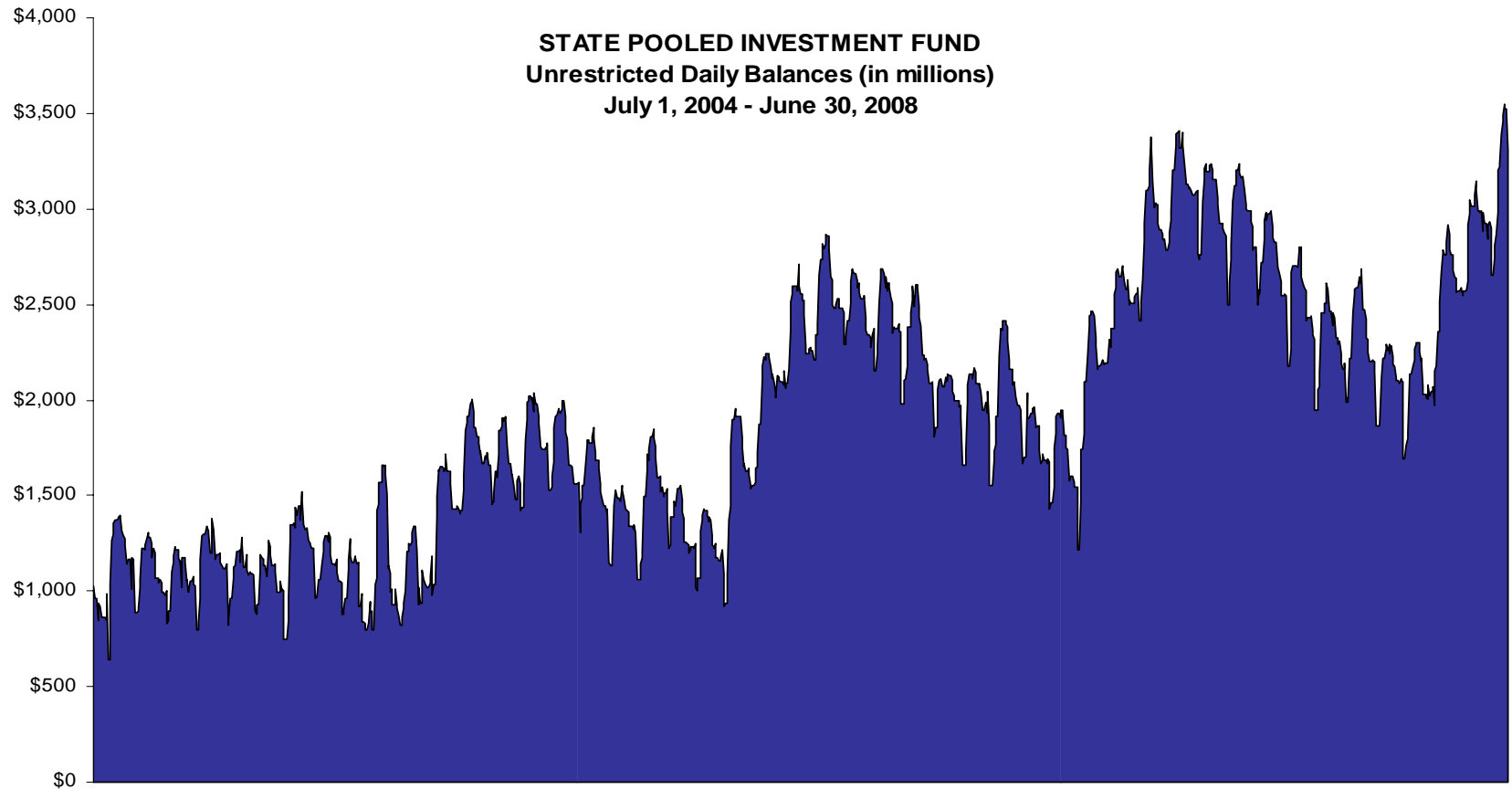
FY09: Tax Collections At-A-Glance





Financial (cont'd)

Liquidity

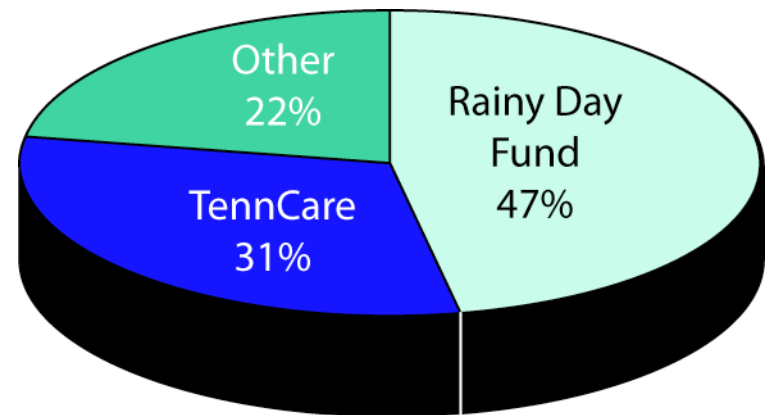


Financial (cont'd)

FY09: Reserves At-A-Glance

Rainy Day Fund	\$ 750M
TennCare	500M
Other	355M

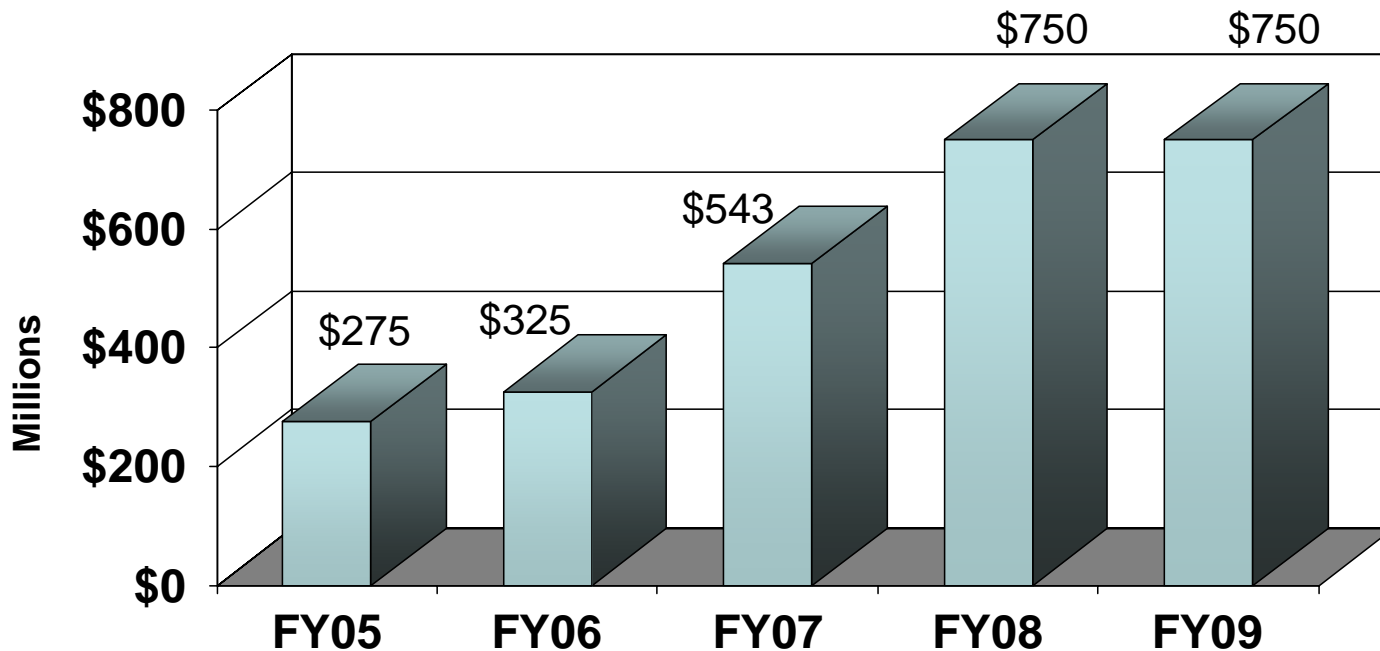
TOTAL \$1.6 BILLION



Rainy Day Fund equal to 7.1% of general fund tax revenue. TennCare reserve equal to 19.6% of state funds in TennCare program. Total reserves equal 5.9% of total expenditures.

Financial (cont'd)

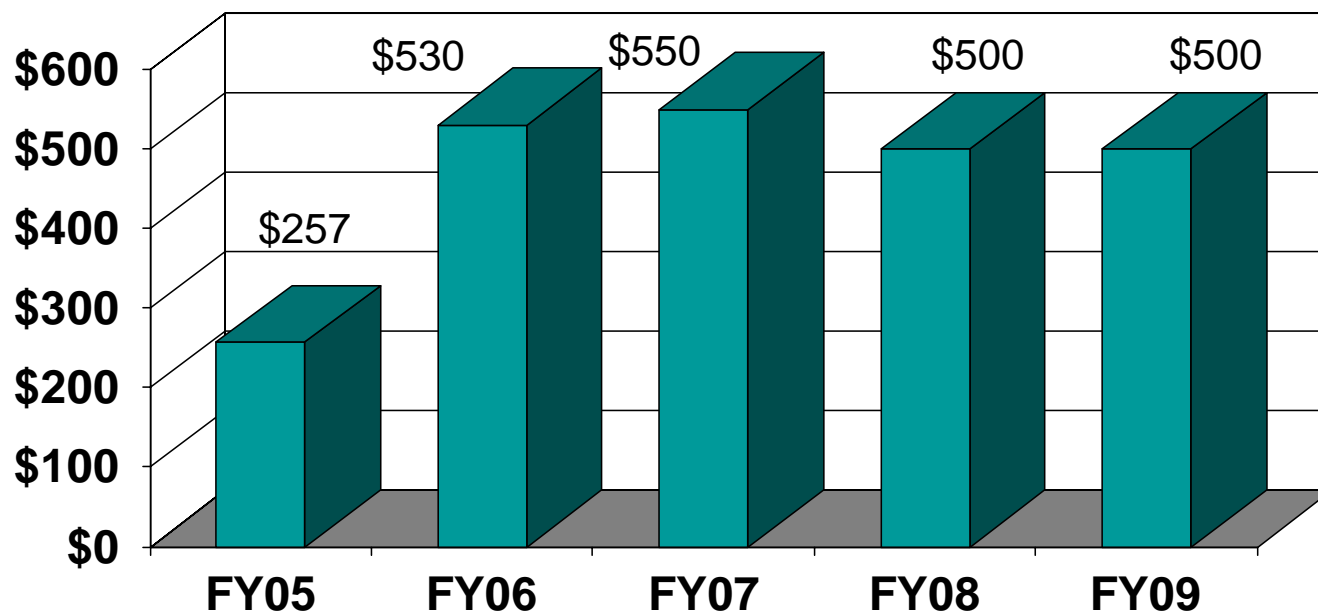
FY09: Rainy Day Fund Holding Steady



Rainy Day Fund equal to 7.1% of General Fund.

Financial (cont'd)

FY09: TennCare Reserve Also Steady



TennCare reserve equal to 19.6% of state funds in program.



Management

Governor's Management Priorities Focused in Three Areas

- Strengthen public education
- Expand access to health care in sustainable ways
- Refocus job creation efforts



Management (cont'd)

Strengthen Public Education

- Implement new nationally recognized high-school standards
- Continue expansion of pre-K, which now reaches all 95 counties
- Secure funds for additional Basic Education Program improvements (BEP 2.0)

“This year, eight new states — including Tennessee — report having adopted academic standards for high school students that are aligned with the expectations of colleges and industry.”

— **“Closing the Expectations Gap (2008),” Achieve Inc.**



Management (cont'd)

FY09: Pre-K and K-12

- Protect \$4 billion in existing state funds and add modest improvements including:
 - Basic Education Program (BEP) inflationary growth (\$70M)
 - K-12 teachers' bonus (\$25M)
 - Pre-K inflationary growth (\$3M)
 - Literacy grants (\$1M)

“Article of faith” — Governor has not and will not cut pre-K thru 12.



Management (cont'd)

FY09: Lottery

- Launched 2004
- Primarily funds college scholarships
- Excess proceeds fund pre-K, after-school programs, and K-12 capital improvements
- One-time \$90M transfer from excess funds to institute K-12 schools' energy-efficient initiatives
- Lottery reserve fund balance exceeds \$300M after transfer



Management (cont'd)

Expand Access to Health Care in Sustainable Ways

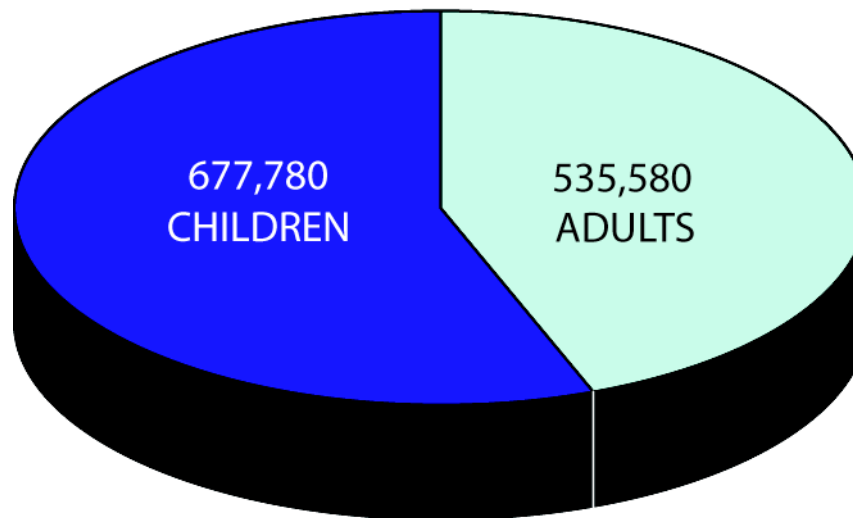
- Control growth in TennCare
- Redistribute long-term care funds (currently \$1.2B through TennCare) to encourage new home- and community-based services
- Expand enrollment in Cover Tennessee for working adults and uninsured children
- Improve public health outcomes, with an emphasis on diabetes and infant mortality

Management (cont'd)

TennCare At-A-Glance

- Medicaid expansion program
- Launched 1994
- 1.2 million enrollees (down 11.1% from 2005)

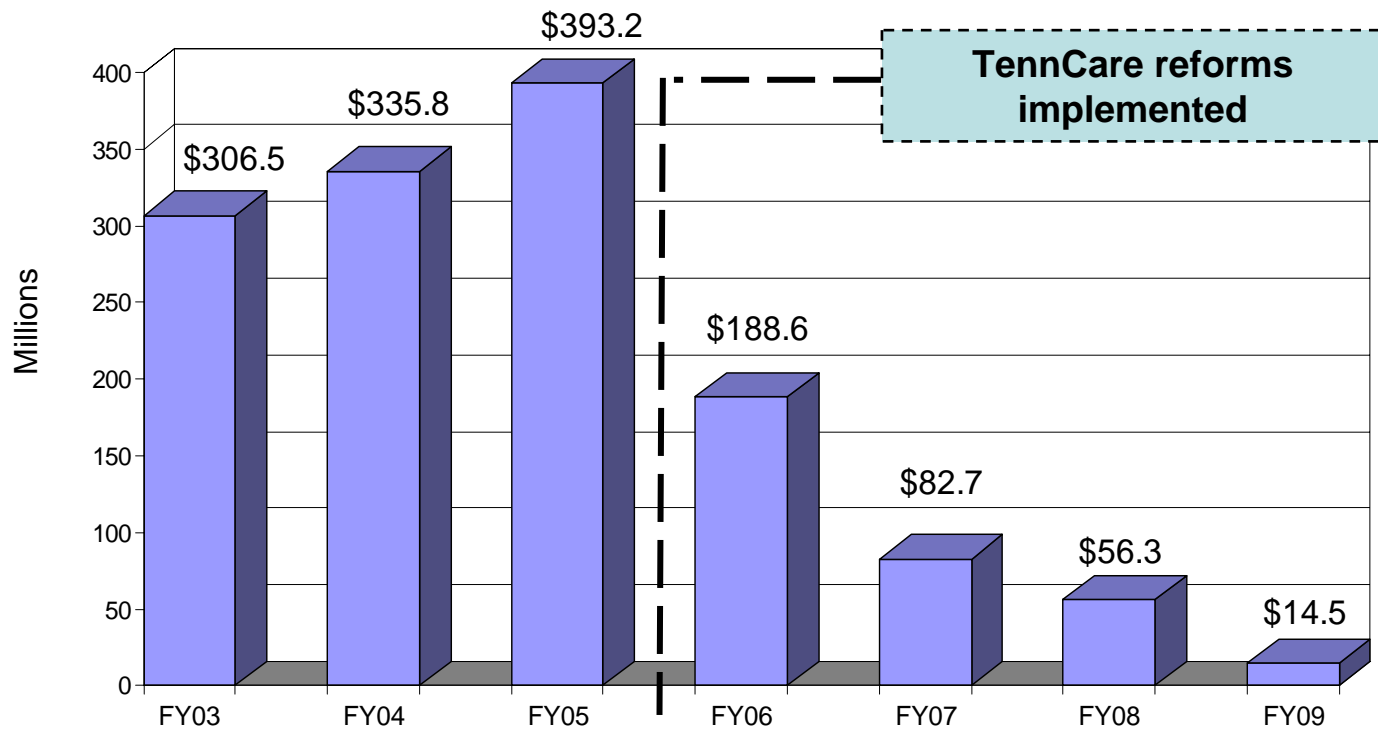
TOTAL ENROLLMENT





Management (cont'd)

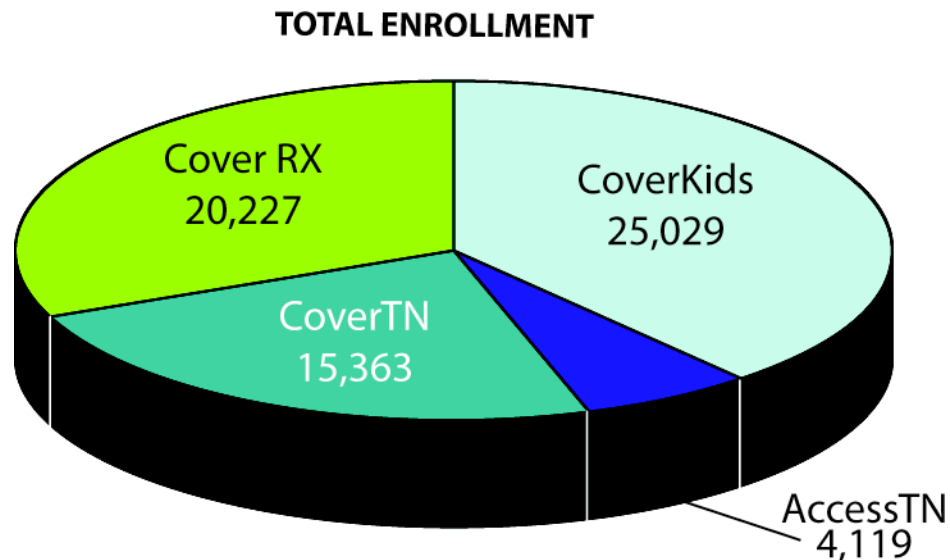
TennCare Spending Growth Under Control



Management (cont'd)

Cover Tennessee At-A-Glance

- Insurance products for working adults and uninsured children
- Launched 2007
- No federal funds (other than CoverKids)
- Priorities: Drive enrollment in CoverKids and allow business with 50 or fewer employees to join (up from 25)





Management (cont'd)

Cover Tennessee Growth Manageable

Program (millions)	FY07	FY08	FY09	Total Growth	Avg. Annual Growth
CoverTN	\$ 34.0M	\$ 34.0	\$ 23.6	-30.6%	-16.7%
AccessTN	16.8	23.0	23.0	36.9%	17.0%
CoverKids	7.0	22.0	29.0	314.3%	103.5%
CoverRx	11.7	17.0	8.7	-25.6%	-13.8%
TOTAL	\$69.5	\$96.0	\$84.3	21.3%	10.1%

*NOTE: CoverRx launched January 2007. Remaining programs launched March 2007.
FY08 estimates, FY09 projections*



Management (cont'd)

Refocus Job Creation Efforts

- Leverage existing economic cornerstones, such as the auto industry, to drive additional growth
- Put emphasis on projected high-growth sectors, such as clean-energy technology
- Accelerate job-training initiatives to help laid-off workers find new opportunities

"Tennessee's Department of Economic & Community Development has won handily ... the 2007 Site Selection Competitiveness Award."

— **Site Selection magazine**
May 2008



Management (cont'd)

New and expanding companies added 24,000 new jobs and \$5.85 billion in capital investment in 2007, including:

Location	Company	Type	Project	Jobs
Memphis	Technicolor Videocassettes	Distribution	Expansion	850
Franklin	Verizon Wireless	Corporate headquarters	New	650
Oak Ridge	USEC	Centrifuge manufacturing	Expansion	500
Chattanooga	Alstom	Turbine manufacturing	Expansion	350
Livingston	Hydroserre	Hydroponic agriculture	New	291
Memphis	Nike	Distribution	Expansion	244
Franklin	BioMimetic Therapeutics	Medical drug devices	New	180
Clinton	Aisin	Automotive parts	Expansion	160
Union City	Lennox Hearth Products	Metal Fireplaces, Inserts & Accessories	New	150
Arlington	Wright Medical Industries	Medical device manufacturing	New	129

Management (cont'd)

Tennessee Reaffirmed as Auto Industry Leader



- Volkswagen AG announced on July 15 plans to build new U.S. assembly plant in Chattanooga
- \$1 billion capital investment
- 2,000 jobs

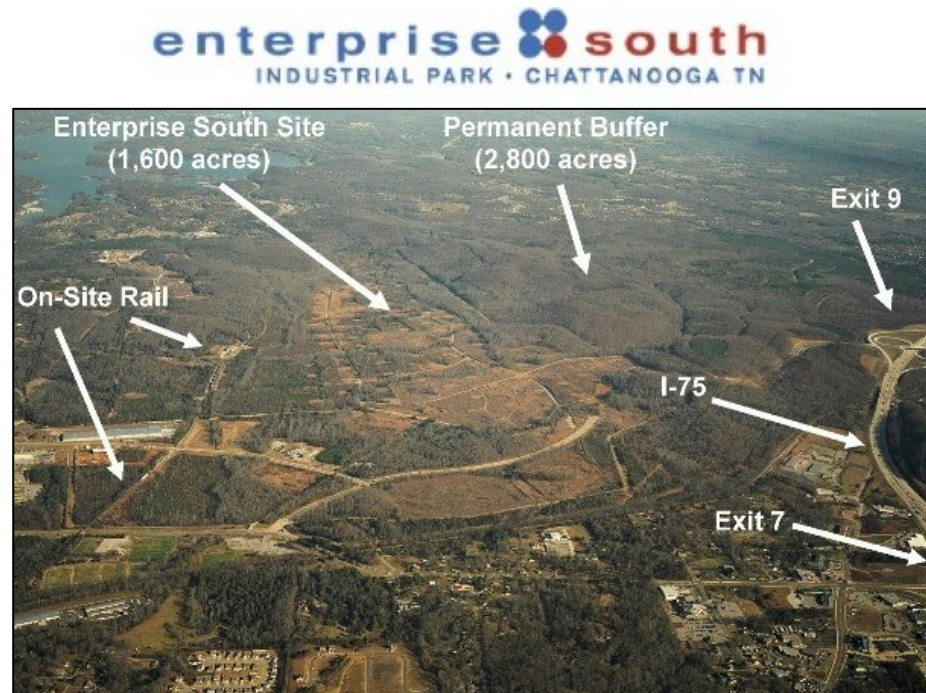
“Chattanooga is an excellent fit for the Volkswagen culture, having an exceptional quality of life and a long manufacturing tradition.”

— Stefan Jacoby, President and CEO, Volkswagen Group of America

Management (cont'd)

VW Chattanooga Site: Room to Grow

- 1,600 acres
- Access to Interstates 75, 24 and 59
- Extensive infrastructure
- Major supplier spinoff anticipated



Management (cont'd)

Clean-Energy Tech Growth, Partnerships

The Alstom logo, featuring the word "ALSTOM" in blue capital letters, with a red stylized circular symbol integrated into the letter "O".The DuPont logo, consisting of the word "DUPONT" in red capital letters inside a red oval border.The UT logo, featuring the letters "UT" in a bold, orange, stylized font.

- **December 2007:** French firm Alstom to manufacture new steam turbines for nuclear plants
- **July 2008:**
 - University of Tennessee announces deal with DuPont to develop cellulosic ethanol refinery
 - Nissan opens North American HQ in Franklin; State signs MOU to explore infrastructure supporting electric vehicles
 - Dow Corning confirms interest in middle Tennessee megasite for solar panel, semiconductor chip manufacturing plant



Debt

Retirement System Background

Consolidated System:

- State employees, higher education employees, and K-12 teachers
- Benefits portable between governmental employers
- Local government participation is optional
- Local government liabilities valued individually

	<u>Active</u>	<u>Retired</u>	<u>Annualized Benefits</u>
State & Higher Education	68,020	35,953	\$ 444,154,000
K-12 Teachers	72,299	34,481	687,044,000
Local Government	<u>79,254</u>	<u>27,482</u>	<u>192,272,000</u>
Total	219,573	97,916	\$1,323,470,000

Funding Status at 2007: State and teacher groups are 96.24% funded
The total fund is 95.10% funded



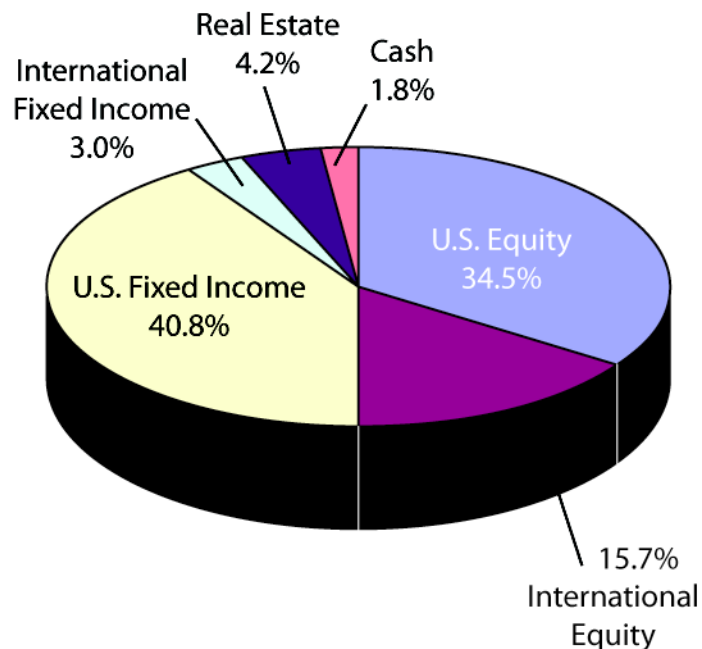
Debt (cont'd)

Retirement System Investment Program

- Internally-managed, except for international equity
 - 20 professional staff
 - 12 Chartered Financial Analysts
 - 10 hold advanced degrees
- Investment Advisory Council: five private-sector investment professionals who provide independent investment advice to staff
- Investment Consulting Services
 - Strategic Investment Solutions – general consultant
 - Townsend Group – real estate portfolio consultant
- Conservative asset allocation compared to peers

Debt (cont'd)

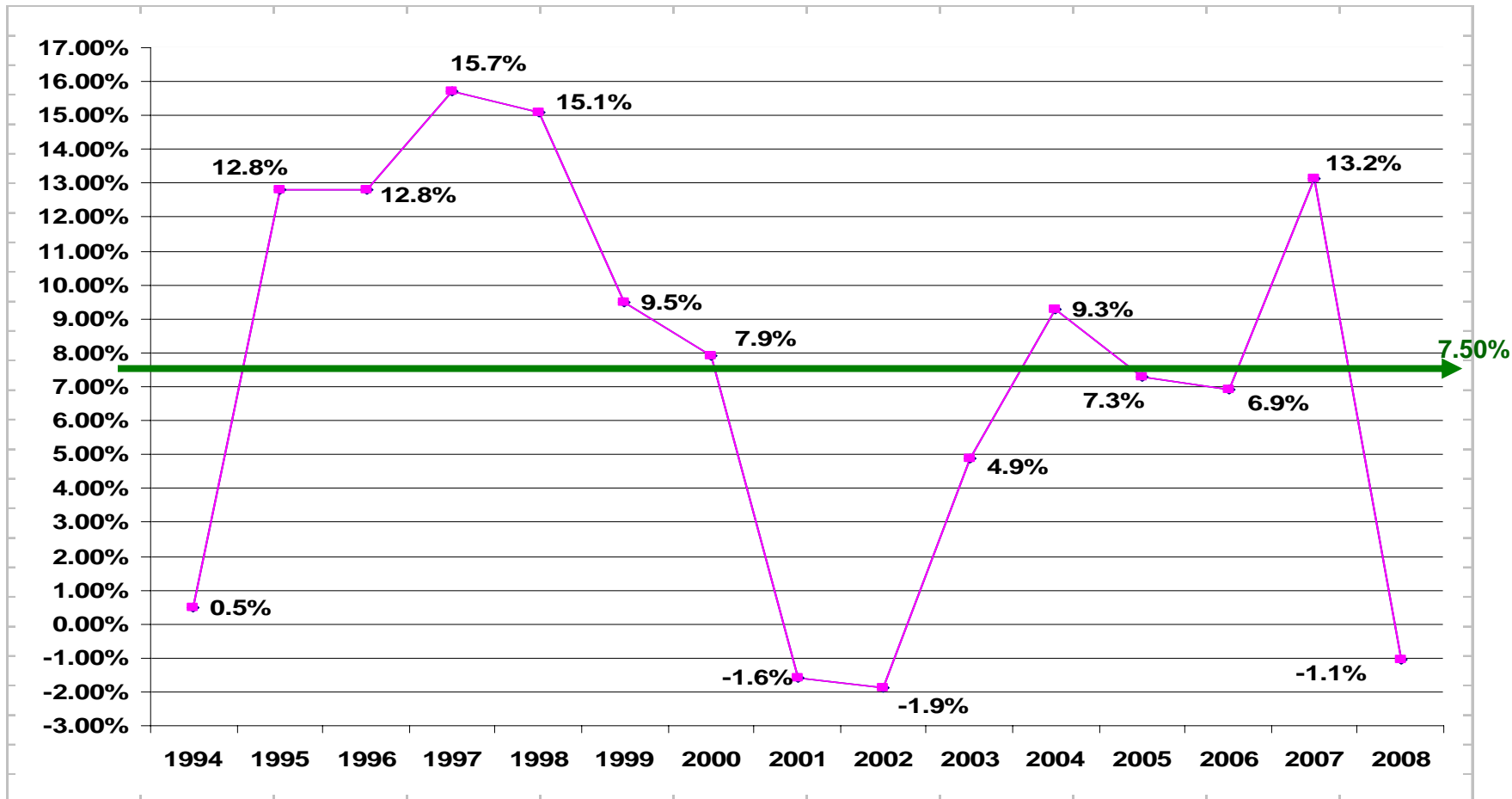
Retirement System Allocation by Asset Class (6/30/08)



Asset Allocation	Market Value	Percent
US Equity	\$ 10,896,392,629	34.5%
International Equity	4,955,344,934	15.7%
US Fixed Income	12,884,903,257	40.8%
International Fixed Income	937,623,354	3.0%
Real Estate	1,317,937,505	4.2%
Cash	568,225,287	1.8%
Total	\$31,560,426,966	100%

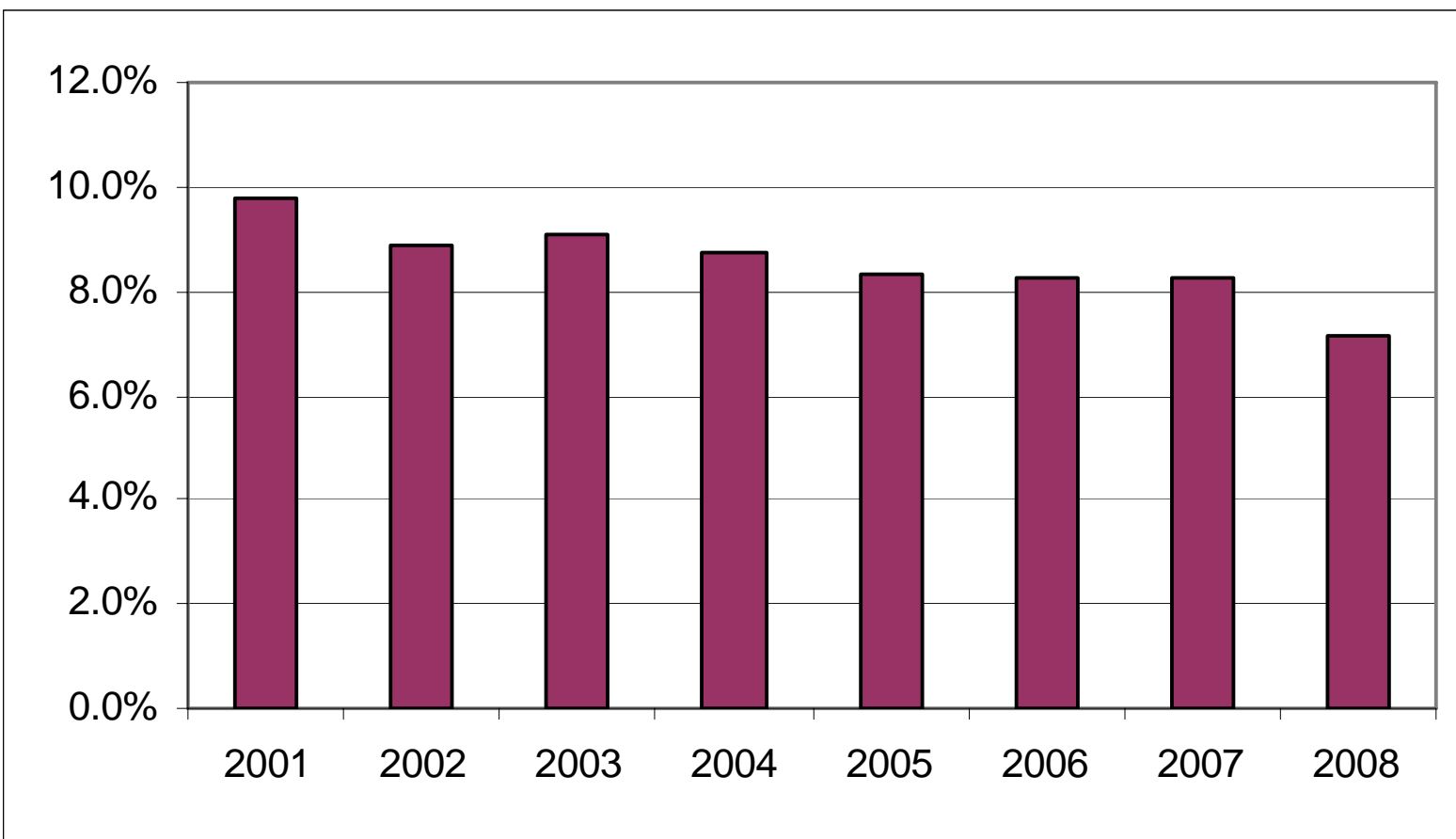
Debt (cont'd)

Retirement System Annual Returns



Debt (cont'd)

Retirement System Rolling 15 Year Annual Returns





Debt (cont'd)

Retirement System Asset / Liability Study

Purpose:

- Determine mix of assets that provide reasonable probability of meeting earnings assumption with liquidity to meet obligations

Major Recommendations:

- Increase Real Estate target allocation to 7%
- Add Private Equity allocation with a target of 3%

Expectations:

- Increase expected return incrementally
- Reduce return volatility



Debt (cont'd)

Retirement System 2007 Actuarial Valuation

- Actuarial valuation completed as of July 1, 2007
 - No new assumptions implemented
 - Re-established accrued liability
 - 10-year asset smoothing adopted to address contribution rate volatility
- Contribution rates effective July 1, 2008 through June 30, 2010

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
State Non-Contributory	13.62%	0%	13.62%
Teacher K-12	6.42%	5%	11.42%

- Projected contribution rate outlook is relatively flat



Debt (cont'd)

Retirement System 2008 Experience Study

- Purpose: To examine actual versus expected experience since last study
- Experience Study Period: July 1, 2004 through June 30, 2008
- Report to Board in fall 2008
- New assumptions, if any will be used in actuarial valuation to be performed as of July 1, 2009

Demographic Assumptions	Expected	Rate Effect
Withdrawal / Turnover	Higher	Reduction
Pattern of Retirement	Retiring Later	Reduction
Post-Retirement Mortality	Living Longer	Increase

Economic Assumptions	Expected	Rate Effect
Investment Return	Neutral	Neutral
Employee Compensation	Higher	Increase
Cost of Living Escalation	Neutral	Neutral



Debt (cont'd)

The State has a **proven track record** of funding the pension system.

- ✓ Since system consolidation in 1972, **every Governor** has recommended ... and **every General Assembly** has appropriated ... funds required to make employer contributions to the pension system in the amount recommended by the system's actuary.



Debt (cont'd)

OPEB

- State remains committed to supporting its retirees
- State has the flexibility to adjust the benefits and premium sharing provisions provided by insurance plans
- State health insurance benefits are self-insured
- OPEB amounts are small compared to other states
- Actuarial studies may be accessed at www.tennessee.gov/finance/act/OPEB.html



Debt (cont'd)

OPEB Liability (expressed in thousands)

	Unfunded Actuarial Liability	ARC
State Employee Group Plan (including Component Units)	\$1,805,582	\$187,372
State obligation on behalf of teachers	252,546	25,579
Medicare Supplemental Plan		
State obligation for employees (including Component Units)	200,080	14,900
State obligation for teachers	140,464	10,064
Total State Obligation	\$2,398,672	\$237,915



Debt (cont'd)

OPEB Financial Analysis

- Continue pay-as-you-go funding in FY09
- Council on Pensions and Insurance will commence study of OPEB in September 2008
- Both the executive and legislative branches will continue to analyze the health care benefits offered and their impact on current employees, retirees and the state budget
- Health care benefit plan may be adjusted annually to provide affordable benefits
- State will report the results of the actuarial study in the CAFR for FY08



Debt (cont'd)

Authorized and Unissued Debt

	Amount as of June 30, 2008	Less Amount Cancelled July 2008 ¹	Amount Authorized FY 08-09	Current Amount
TDOT	\$ 688,000,000	\$ 88,700,000	\$225,700,000	\$ 825,000,000
General Purpose	1,199,799,581	17,701,000	59,420,000	1,241,518,581
Total	\$1,887,799,581	\$106,401,000	\$285,120,000	\$2,066,518,581

NOTE:

1 Authorization is not cancelled until: (i) short term debt is taken to long term debt; (ii) notes are redeemed; (iii) authorization is cancelled by the State Funding Board; or (iv) authorization is cancelled by the General Assembly

Debt (cont'd)

Unallocated Authorization		
Current Authorized and Unissued Debt		\$1,241,518,581
Less: Projects Approved by the Building Commission		
Portion Expended	\$240,626,000	
Work In Progress, Yet to be Expended	663,700,990	- 904,326,990
Unallocated Authorization		\$337,191,591 ¹

Commercial Paper	
Outstanding Commercial Paper	\$240,626,000
Short Term Financing to remain in CP Mode ²	- 18,601,777
Commercial Paper to convert to Long Term Debt	\$222,024,223

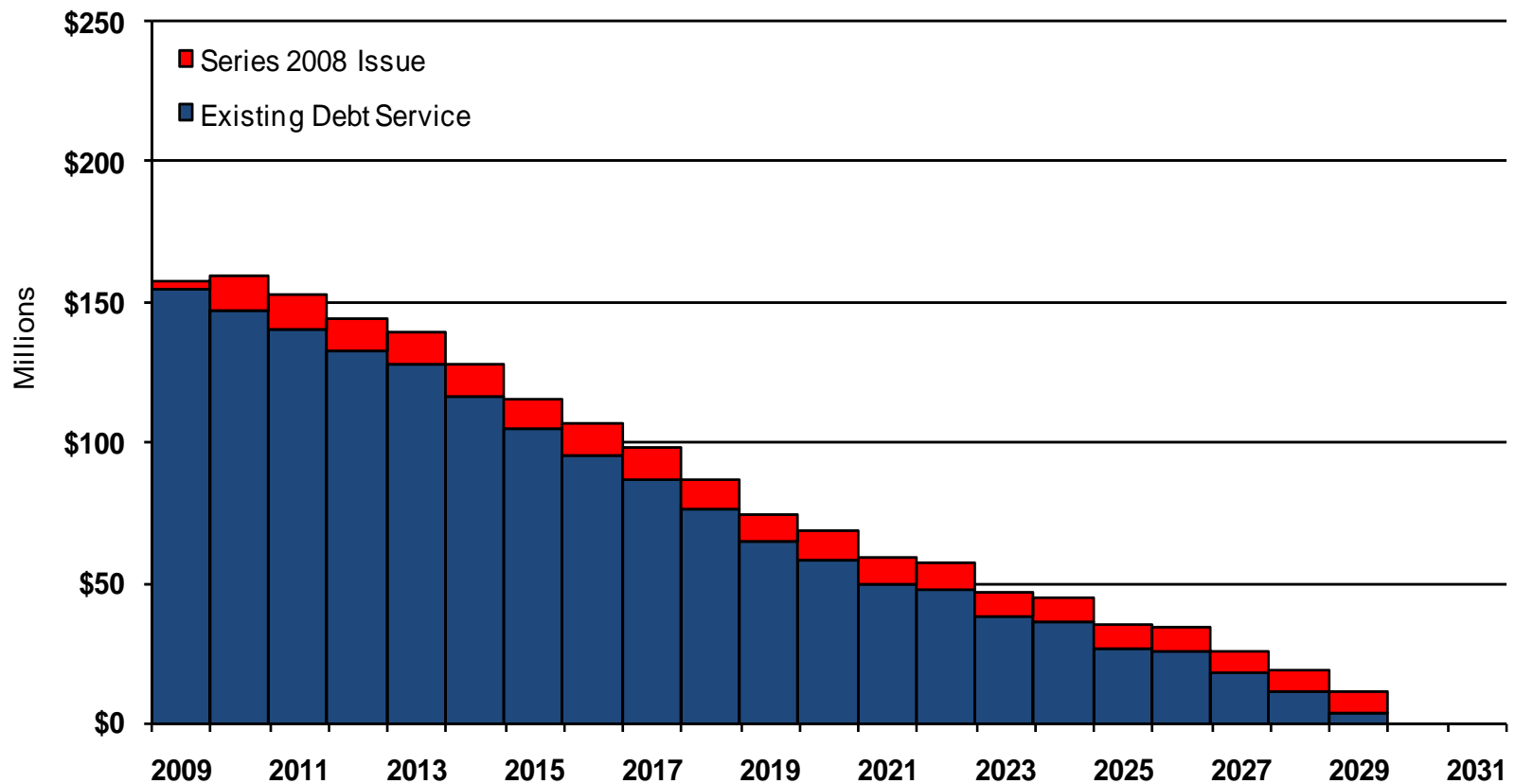
NOTE:

- 1 A portion of this amount was approved and allocated to projects by the State Building Commission in July 2008
- 2 This amount plus additional funds authorized totaling approximately \$40M will be amortized in the commercial paper mode



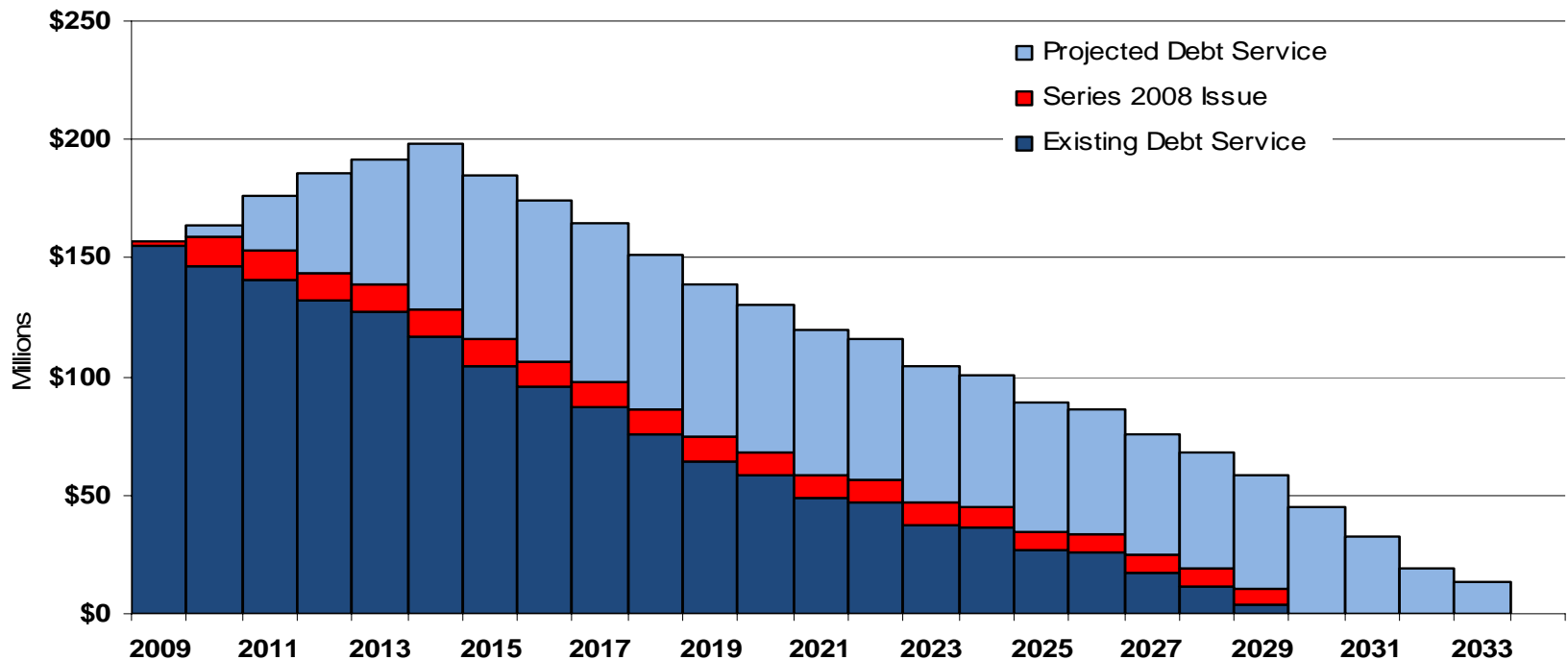
Debt (cont'd)

Debt Service Payments FY09



Debt (cont'd)

Projected Debt Service Payments



NOTE: Projected Debt Service includes bond issues in the following estimated amounts: Series 2009 - \$220M
Series 2010 - \$230M, Series 2011 - \$100M, Series 2012 - \$260M



Debt (cont'd)

The State's debt repayment schedule remains aggressive

	FY 2009 ¹		FY 2013 ²	
Year	Cum. Principal Redeemed	% Total	Cum. Principal Redeemed	% Total
1	\$ 99,645,000	7.70	\$ 133,080,000	8.64
5	503,475,000	38.89	599,840,000	38.95
10	900,815,000	69.58	1,045,325,000	67.87
15	1,143,800,000	88.35	1,388,140,000	90.13
20	1,284,115,000	99.19	1,540,105,000	100.00
21	1,294,580,000	100.00	N/A	N/A

NOTE:

1 Existing debt as of July 1, 2008 including \$138 million Series 2008 issue

2 Assumes the issuance of an additional \$810 million in bonds during fiscal years 2010 through 2013



Debt (cont'd)

- Pursuant to TCA § 9-9-104, Tennessee's debt capacity is measured in terms of maximum annual debt service
- At capacity, revenue coverage is at least 1.50 to 1.00
- For FY08, debt service capacity metric was \$606,592,667

Fiscal Year	Bonds Outstanding	Estimated Capacity Metric	Maximum Annual Debt Service	Capacity Used
2009 ¹	\$ 1,294,580,000	\$ 615,691,557	\$ 159,137,617	25.9%
2013 ²	1,540,105,000	653,472,577	198,332,598	30.4%

NOTE:

- 1 Calculation based on existing debt as of July 1, 2008 including \$138 million Series 2008 issue. Assumes debt service capacity metric increases by 1.5% for FY09
- 2 Calculation assumes \$810 million in additional debt issued during FY10 through FY13 and \$564 million of existing and proposed debt is retired during the same period. Assumes debt service capacity metric increases by 1.5% annually

State has sufficient debt capacity for future needs.



Debt (cont'd)

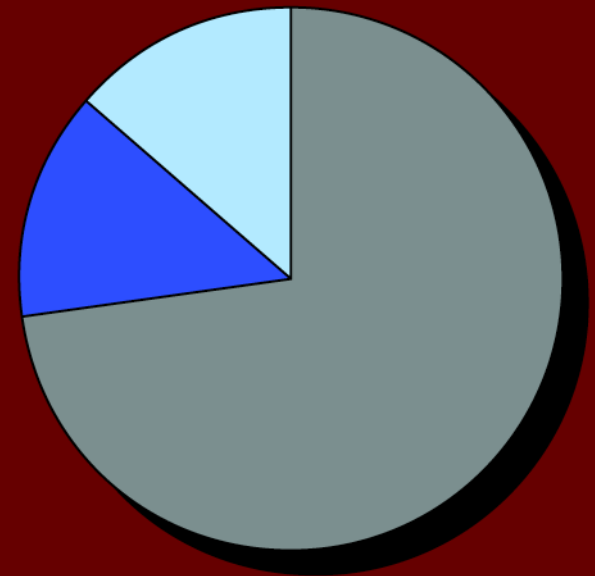
- Debt policies are established
 - New policy—debt capacity study
 - Policies under consideration
 - Swaps
 - Refunding debt
- Unused debt capacity is high
 - Currently at 26% of debt capacity metric
 - Debt per capita is low at \$210
 - Debt service as a % of governmental expenditures is less than 1%
- Implementation of new debt management data base remains on target
- Long-term planning for funding highways has begun

Tennessee ranks 47th in debt per capita.

Highways – Long-Term Planning

- State population is expected to increase from 5.7 to almost 8 million by 2030
- TDOT's 25 year Long Range Transportation Plan, which was completed in 2005, calls for \$130 billion in capital projects through 2030
- There is considerable flexibility to cancel or re-prioritize less-necessary projects

25-Year Transportation Needs by Category



- Highway/ Intelligent Trans. System
- Public Trans., Demand Management and Bicycle / Pedestrian
- Aviation, Rail and Waterways



Highways – Long-Term Planning

- Wide variety of traditional and innovative funding sources are available
- State-wide and project-based funding and financing strategies are being analyzed
 - Tax and fee revenues
 - Tolling – focused on critical corridors for State-wide and regional development
 - P3 not authorized and currently not under consideration



Summing Up

“What I have described is a solid and fiscally conservative place to be ... Honest reductions to deal with our revenue shortfall.”

— ***Governor Phil Bredesen***
Budget Address to the General Assembly
May 12, 2008



Meeting Key Performance Metrics

Financial

- Multi-year financial planning framework exists for long-term sustainability
- Structurally balanced budget
- Healthy reserve balances

Debt

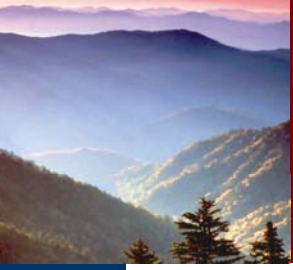
- Low debt burden
- Highly funded pension plan
- No ARS/SIVs/SWAPS
- Substantial debt capacity

Management

- Demonstrated willingness to make tough decisions
- Protect public education
- Expand access to health care
- Continued emphasis on job creation

Economic

- THDA proactively addressing housing issues
- Favorable business climate
- Healthy economic development, jobs pipeline

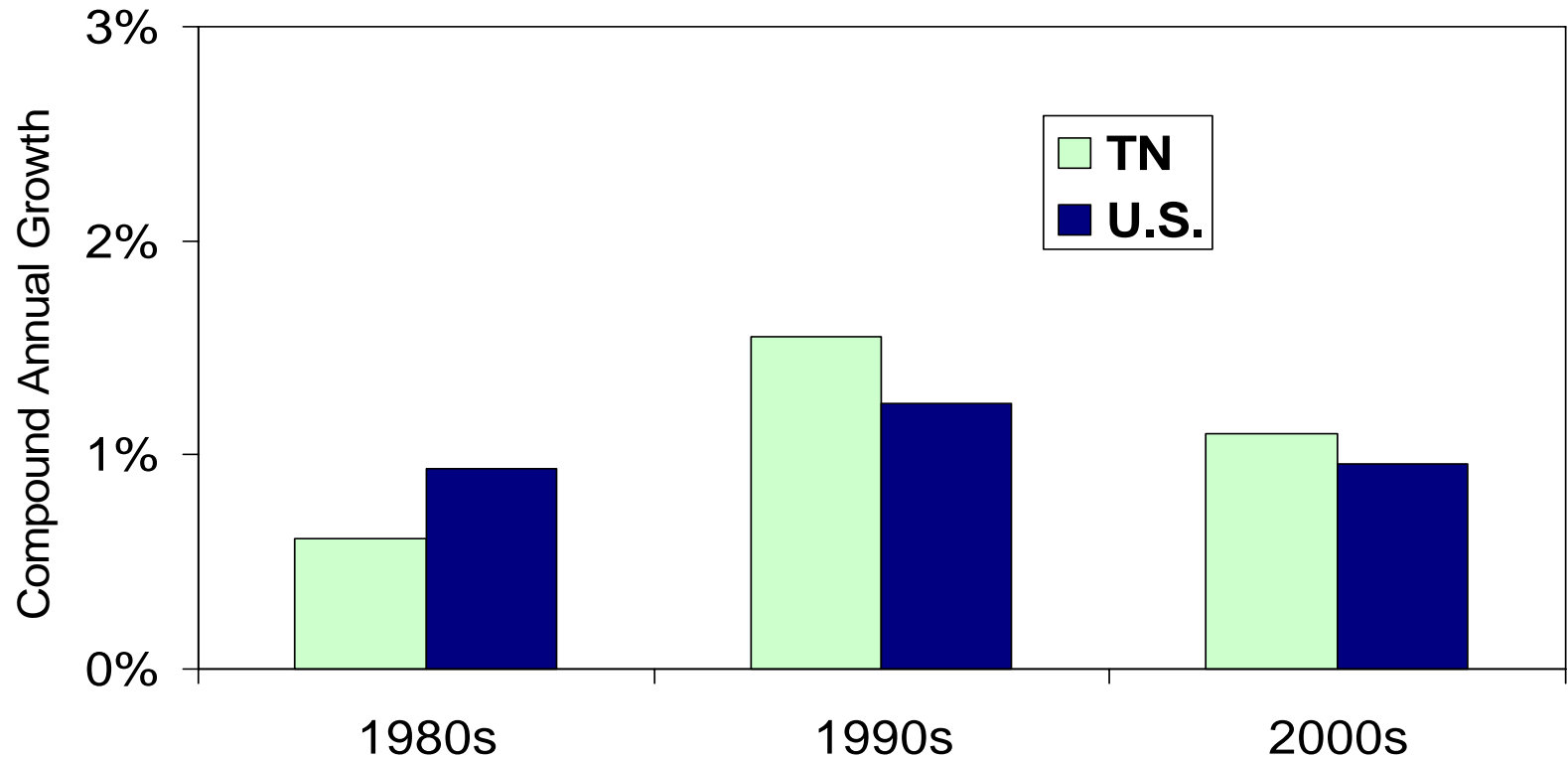


Summing Up (cont'd)

**Tennessee:
Prepared to “Weather the Storm”**

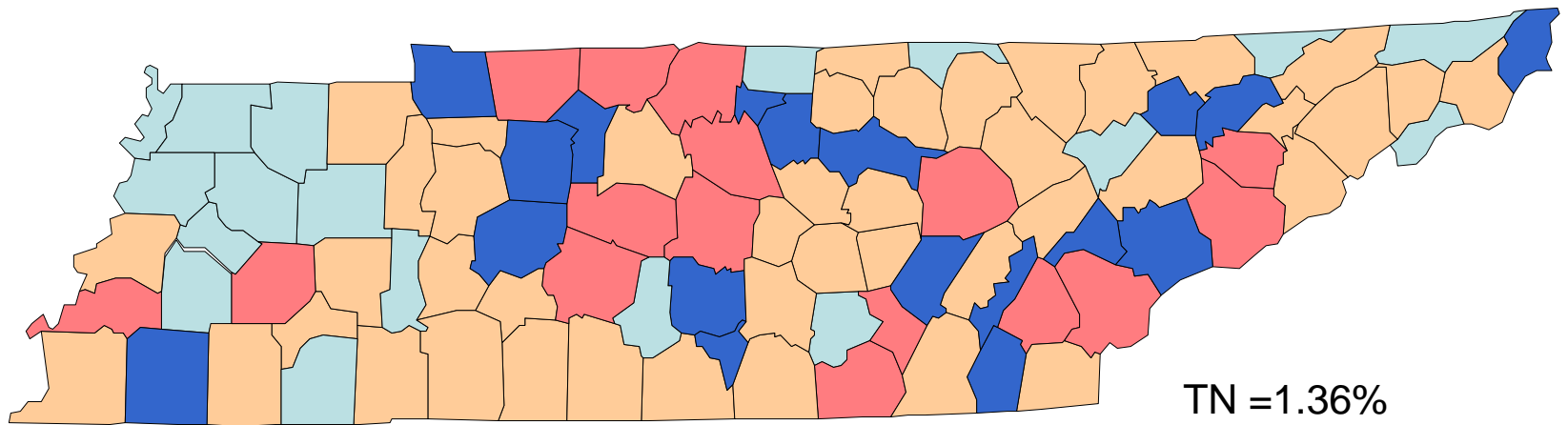


Tennessee and U.S. Compound Annual Population Growth, 1980s – 2000s



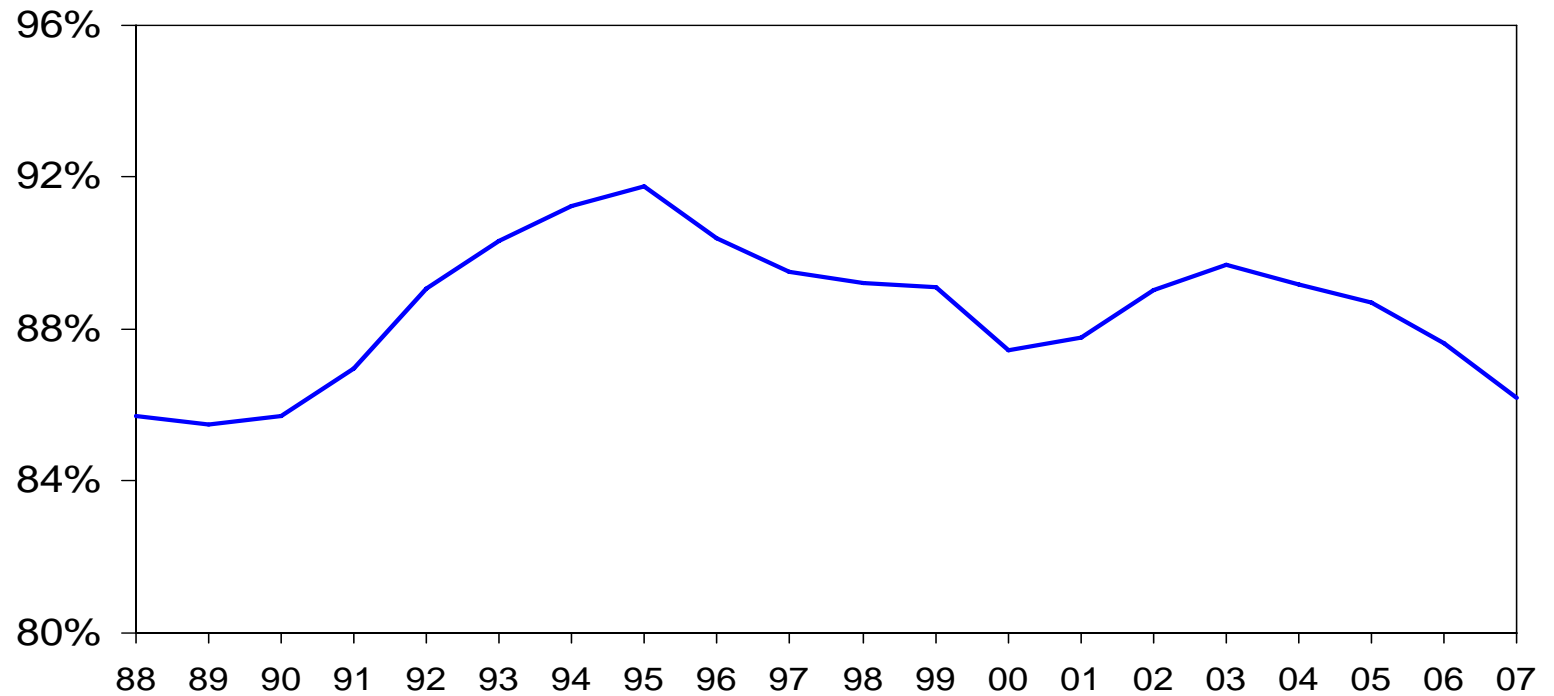


Tennessee Population Growth, 1990-2007



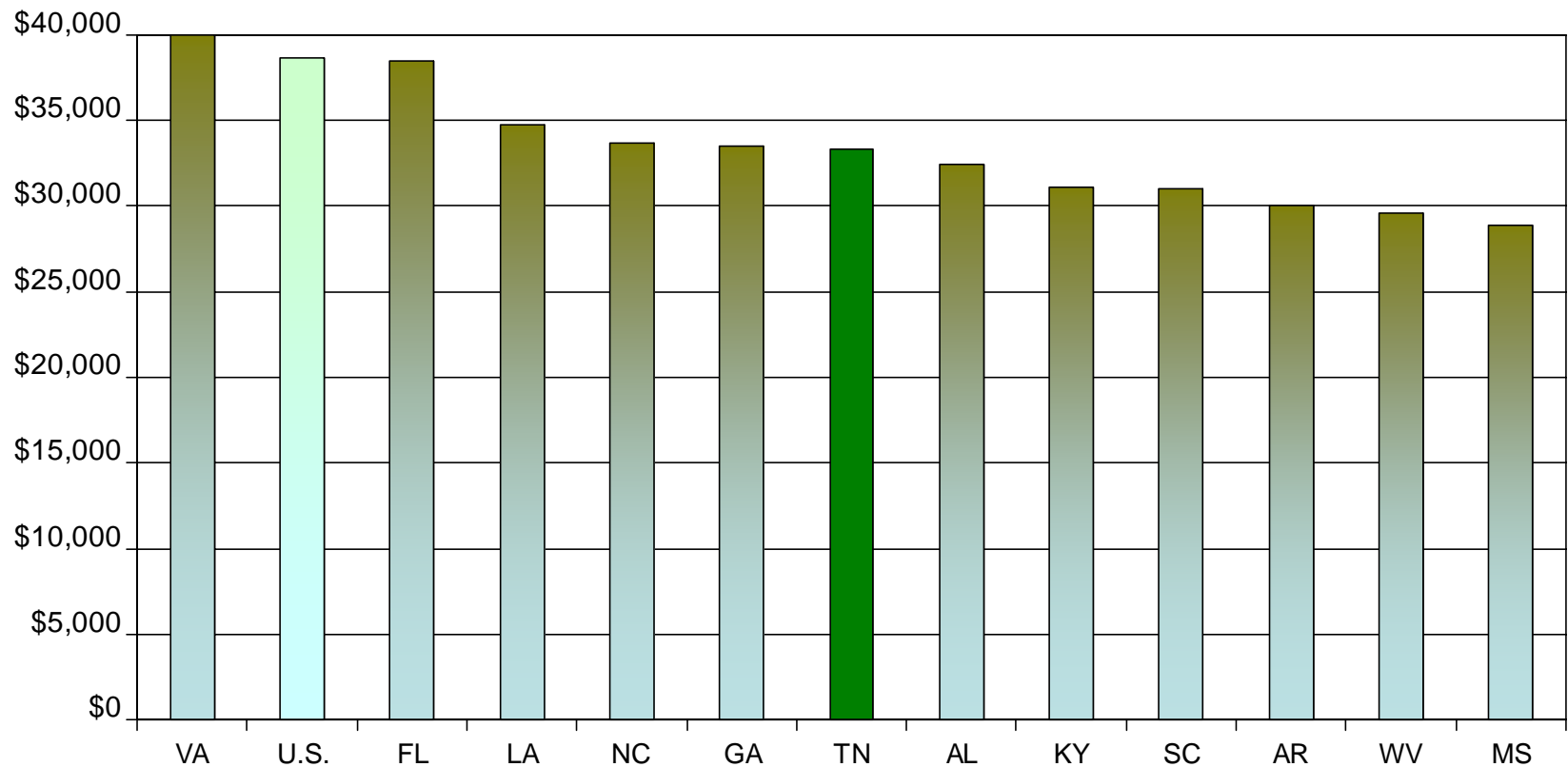


TN Per Capita Personal Income As a Percentage of U.S., 1988-2007



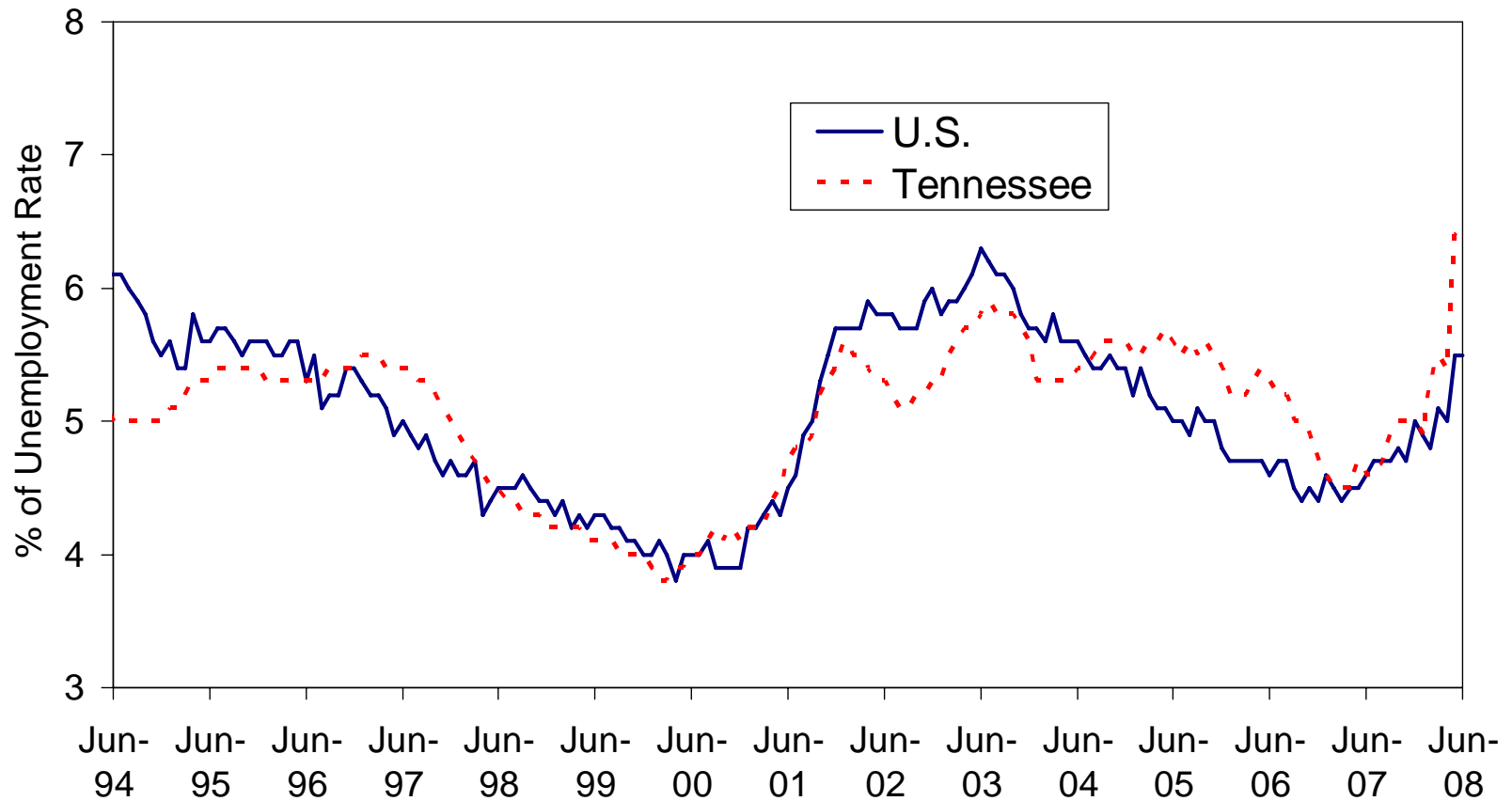


Per Capita Personal Income, 2007



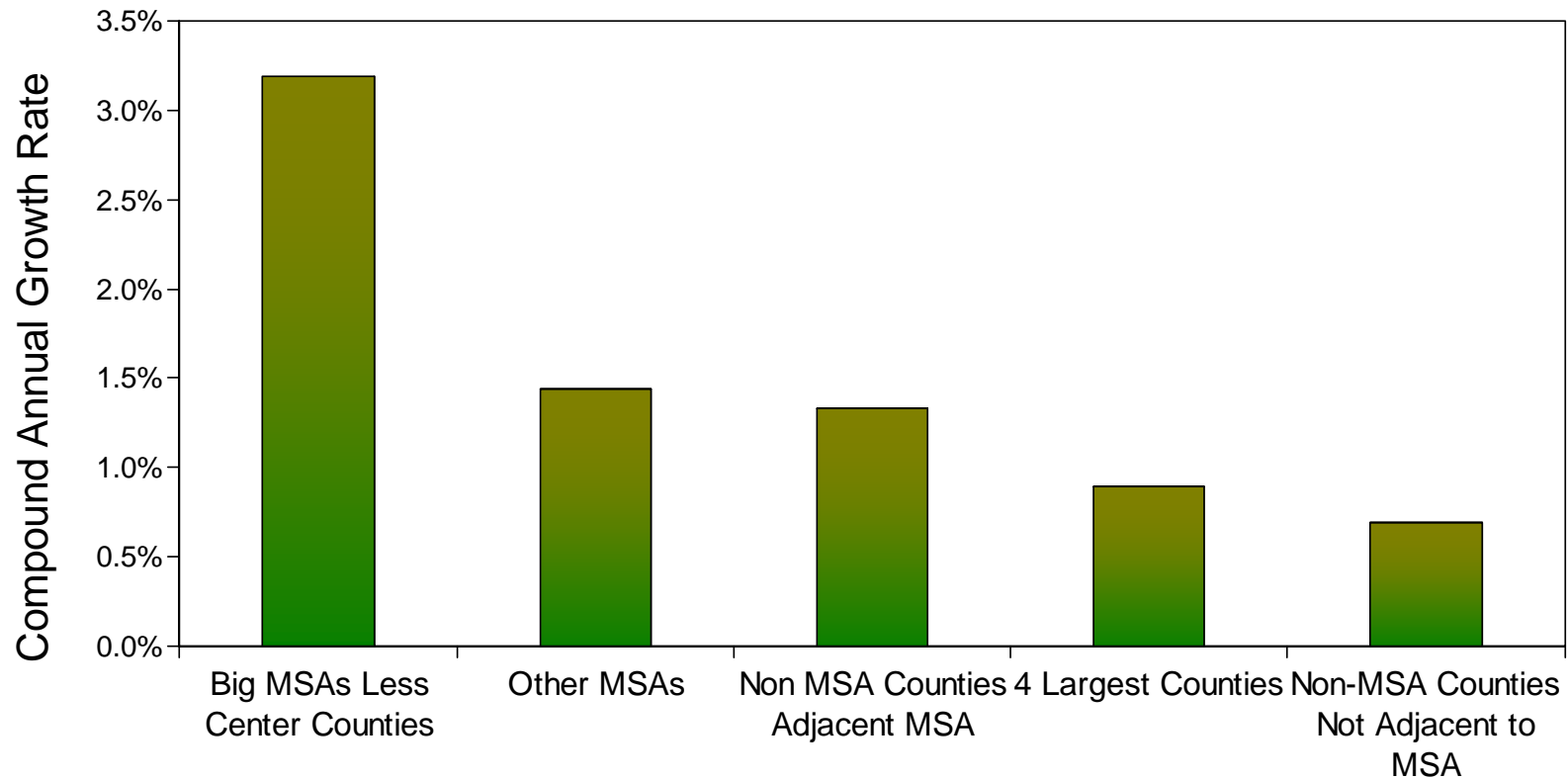


Tennessee and U.S. Unemployment Rates, Seasonally Adjusted



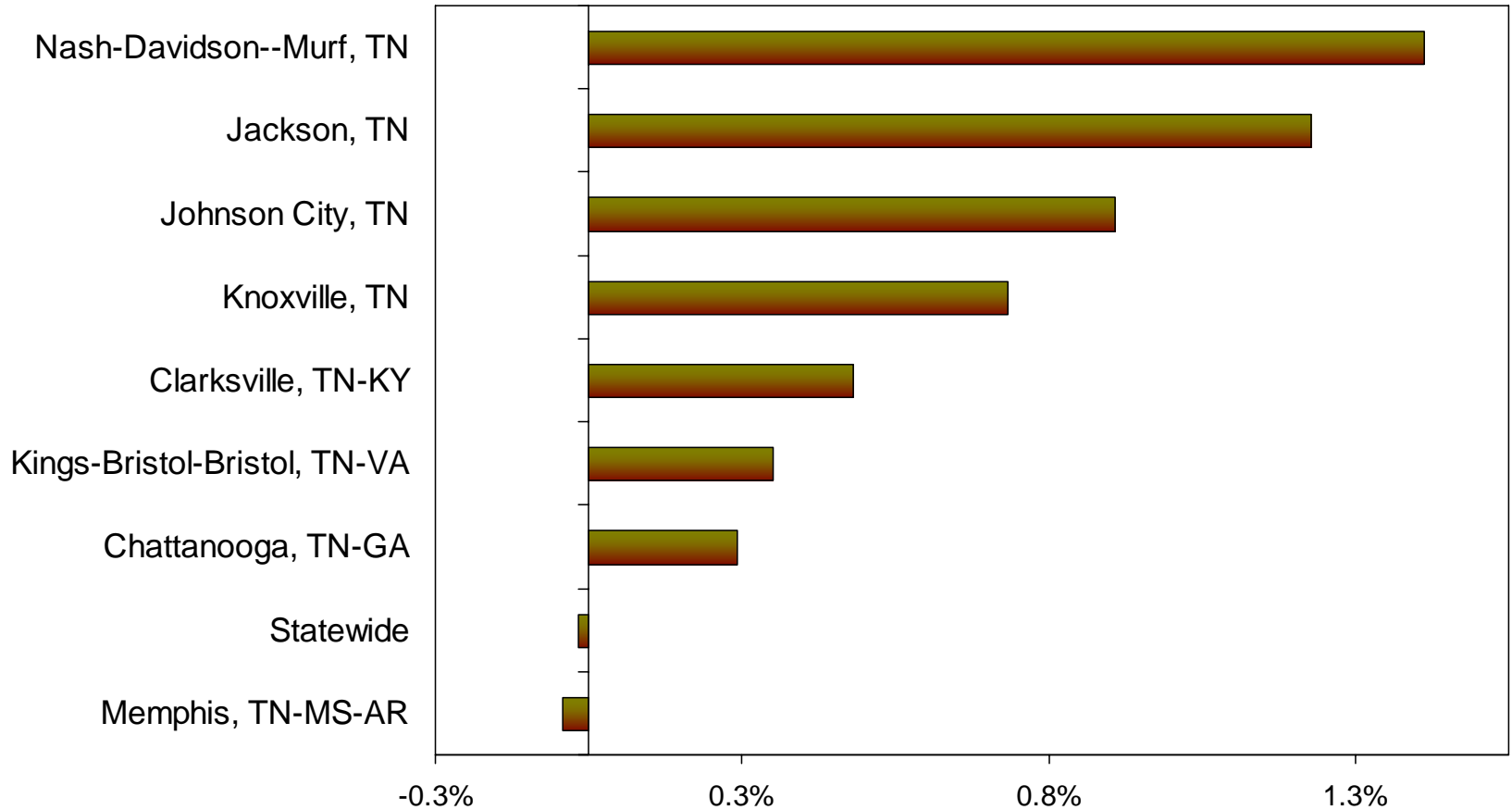


Annual Employment Growth by MSAs, 1990-2007

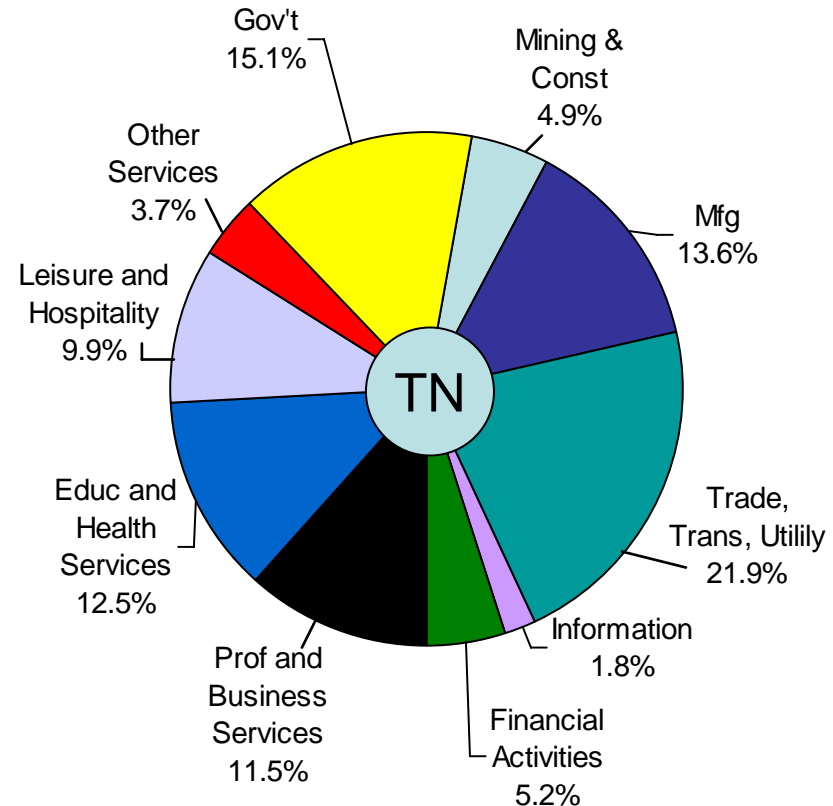
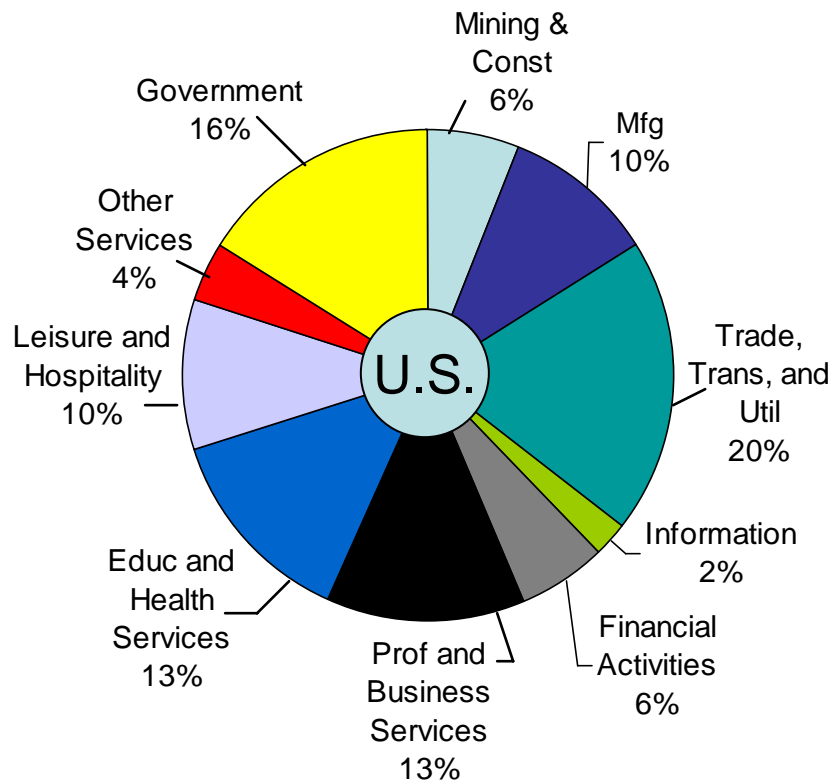




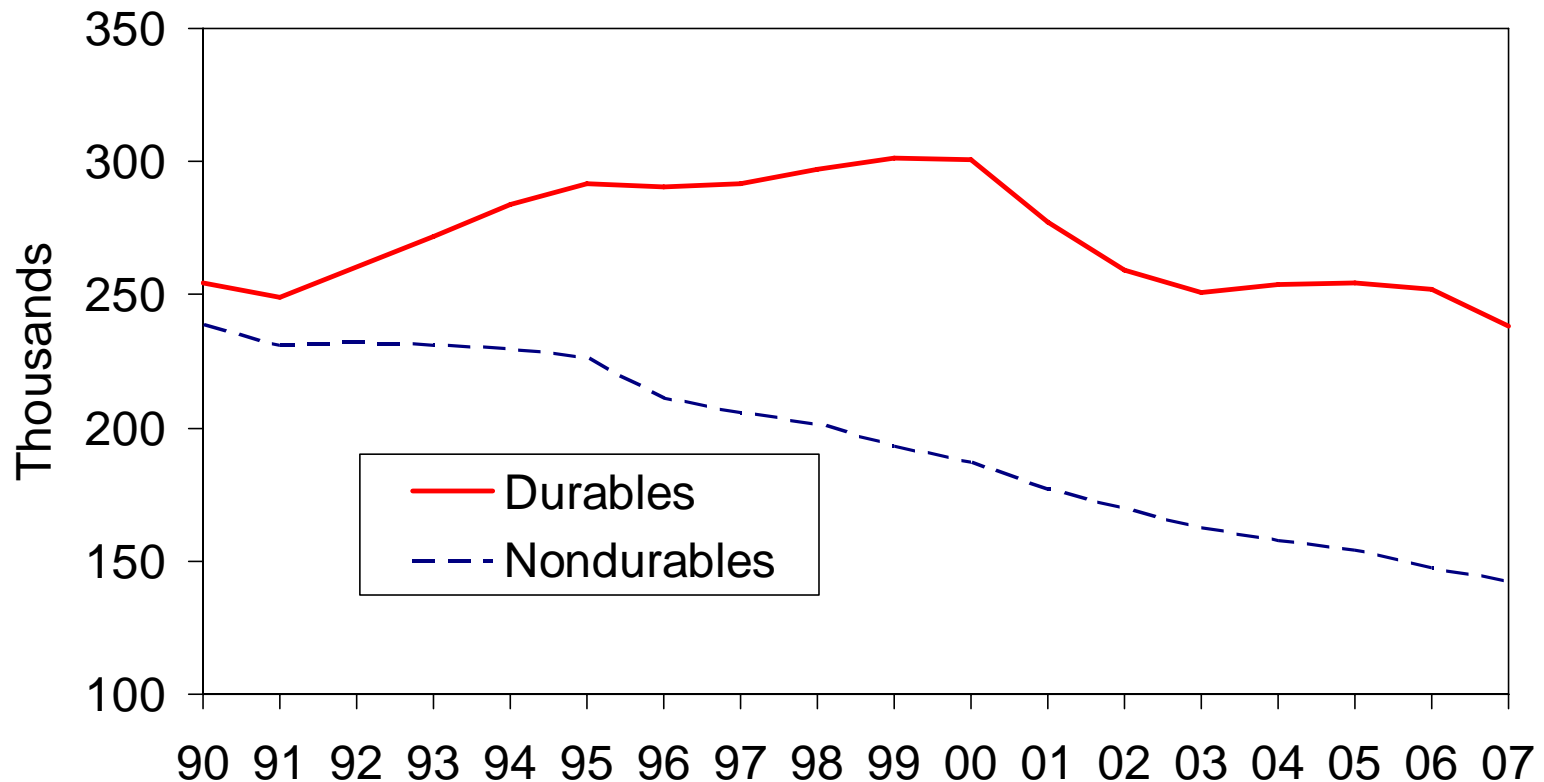
Nonag Employment Growth, MSAs Quarter Ending May 2007 to May 2008



Distribution of Nonag Jobs: 2007

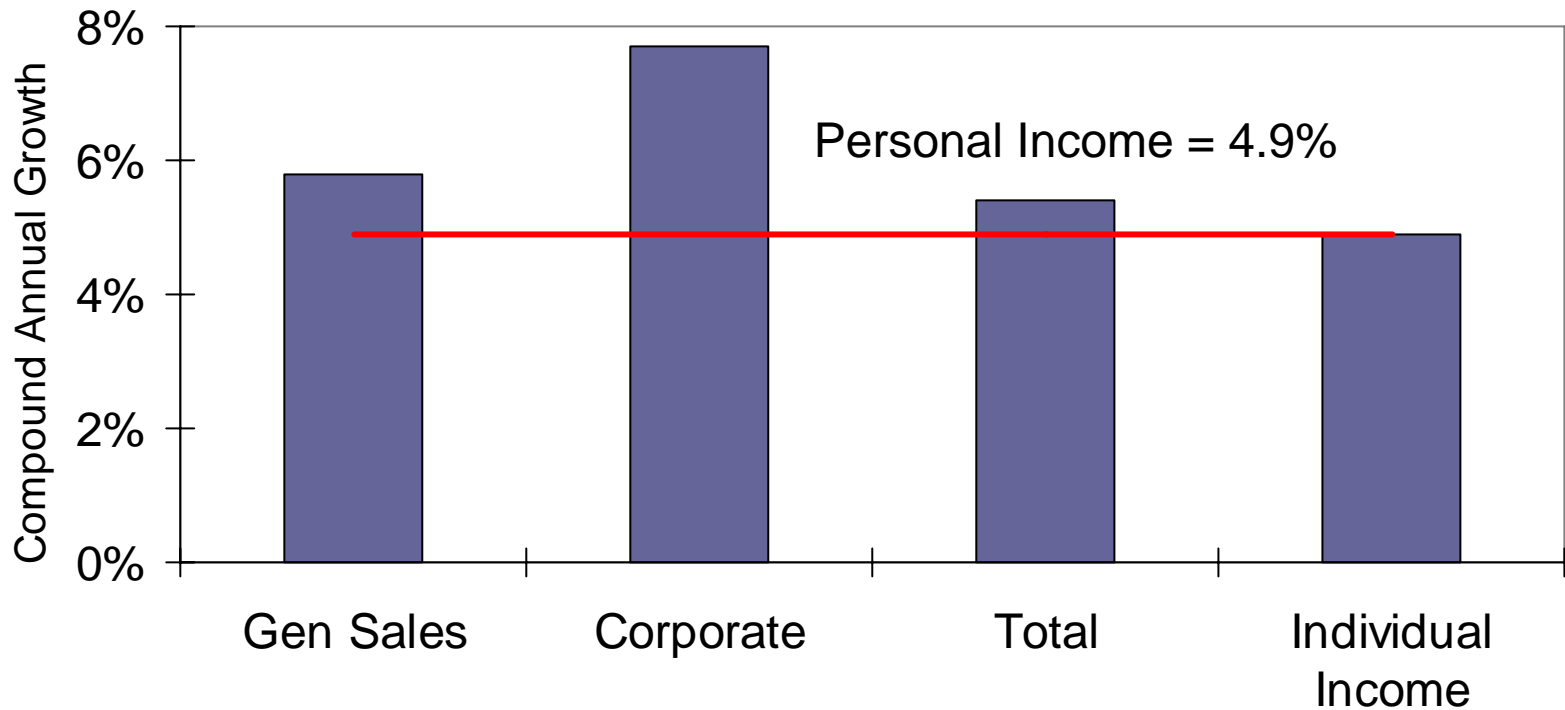


Tennessee Manufacturing Jobs, 1990-2007



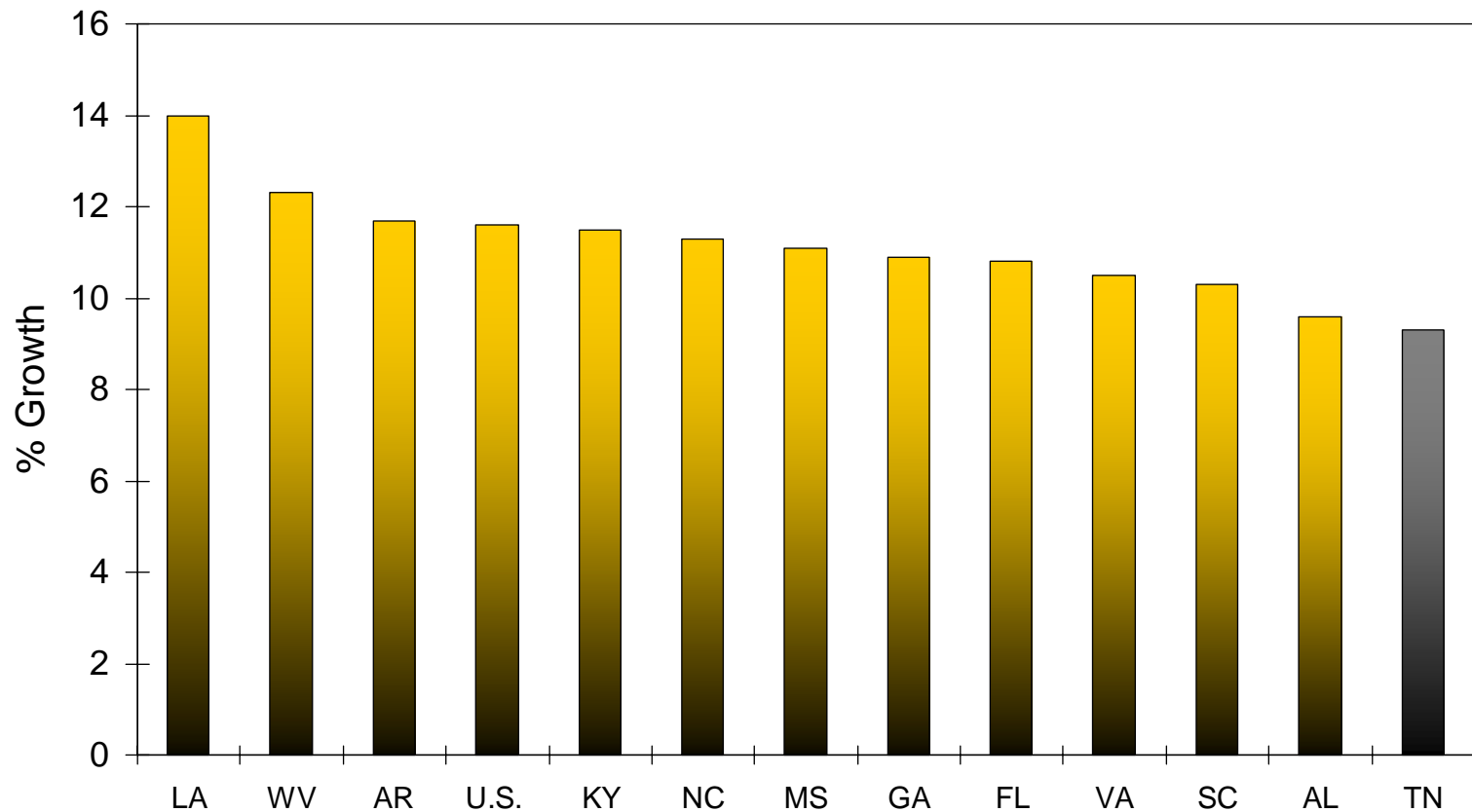


Compound Annual Growth in Tennessee Tax Collections, 1988-2007





State and Local Taxes as a Percentage of Personal Income, 2006





State and Local Taxes Per Capita as a Percentage of the National Average, 2006

